



DEPARTMENT OF CORRECTIONS POLICIES AND PROCEDURES

Policy No.: DOC 1.1.7	Subject: INTERNAL AUDIT/COMPLIANCE MONITORING
Chapter 1: ADMINISTRATION AND MANAGEMENT	Page 1 of 8, + 4 attachments
Section 1: General Administration	Revision Date: June 26, 2002; March 8, 2001; November 22, 2000
Signature: /s/ Bill Slaughter	Effective Date: Nov. 29, 1999

I. POLICY:

It is the policy of the Department of Corrections to maintain an internal audit and compliance monitoring system. These two systems provide data for management concerning the adequacy and effectiveness of the Department's internal controls, as well as the quality of operating performance compared to established standards, policy and management expectations.

II. IMPLEMENTATION:

This policy was revised to incorporate the compliance monitoring function on June 26, 2002. The Internal Auditor will be responsible for the implementation of compliance monitoring.

II. AUTHORITY:

2-7-103 through 2-8-304, MCA. Studies, Reports, and Audits

2-15-112, MCA. Duties and Powers of Department Heads

5-13-101 through 5-13-411, MCA. Legislative Review

53-1-203, MCA. Powers and Duties of Department of Corrections

1.2.16, DOC. Theft Reporting

1.2.19, DOC. Fraud Reporting

IV. DEFINITIONS:

Action Plan means the action/procedure or changes along with the responsible person and completion date that will occur to implement the audit recommendation.

Audit means a systematic, objective appraisal by the internal auditor of the diverse operations and controls within the department to determine whether:

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1. Financial and operating information is accurate and reliable;
2. risks to the enterprise are identified and minimized;
3. external regulations and acceptable internal policies and procedures are followed
4. satisfactory standards are met;
5. resources are used efficiently and economically; and
6. the organization's objectives are effectively achieved.

Compliance is achieved when the program/facility conforms with each element of the monitoring instrument.

Core Team means a team appointed by the Director who are responsible for the development and maintenance of the monitoring tool. Each member has been identified as a subject matter expert for an element of the monitoring instrument.

Core Monitors means experts assigned to Core Team members and formally trained to participate in compliance monitoring. Core Monitors report to and are supervised by the Core Team Member.

Facility/Program Representatives means the staff appointed by facility Wardens or Program Administrators to participate in monitoring efforts who are provided on the job training and training credit for participation in the monitoring effort.

Independent means impartial and unbiased attitude, and the ability to carry out work freely and objectively.

Management Action Plan means the action/procedure or changes along with the responsible person and completion date that will occur to implement the audit recommendation.

Monitoring Tool means a program or facility specific instrument/checklist that is developed from ACA Standards, Department Policy, State statutes, and best correctional practices/standards as a mechanism for self evaluation, improvement of correctional management and practice, and to enhance accountability within the Department. It is a document that acts as an aid to monitors during the course

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of a monitoring effort to define standards, issues specific to operations, and to record observations and recommendations.

Monitoring Review means an internal review facilitated by the Internal Audit and Quality Assurance Unit that is conducted by appointed participants to determine if national correctional standards, Department policy, Facility/Program Standard Operating Procedures, and security and life safety issues are in compliance. The review results in a report that may be restricted due to the sensitivity of security issues.

Non-Compliance occurs when a standard or element within the monitoring instrument is not satisfied. If there is one aspect that the facility/program does not meet, then it is in con-compliance.

V. PROCEDURES:

A. It is the responsibility of the Internal Auditor to:

1. Collect, organize and interpret data from different disciplines, systems and sources within the Department and to analyze the efficiency and effectiveness of Departmental operations and their compliance with legislative intent and statute.
2. Perform audits under the guidance of the Director, who will establish the priority of projects.
3. Conduct reviews of alleged fraud, waste and abuse and refer the results of such reviews appropriately.
4. Support management in an advisory role regarding strategic and tactical planning, developing managerial control systems and evaluating the impact of operational situations on the Department.
5. Develop and maintain a Department audit procedure manual to ensure audits are performed in accordance with the appropriate audit standards.
6. Coordinate and direct the compliance monitoring reviews.

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7. Coordinate periodic reviews and audits performed by the Legislative Audit Division and the Office of the Governor, in accordance with MCA 2-7-103 through 2-8-304 and 5-13-101 through 5-13-411.
- B. Facility/Program personnel must provide the Internal Auditor access to all relevant data and activities so that the Internal Auditor may comply with audit responsibilities.
 - C. All applicable records, property, personnel and activities are subject to an audit.
 - D. The Internal Auditor is the primary Department contact for all external audits, both fiscal and programmatic.
 - E. Supervisors of facilities/programs/divisions/bureaus or designees undergoing an external audit or review shall notify the Internal Auditor by completing and sending the Audit/Review Notification form ([attachment A](#)) to the Internal Auditor at least 10 days prior to the start of an audit or review.
 - F. The Internal Audit Process will be as follows:
 1. Employees may request an audit or advisory service by completing the form attached, submitting the form to the Internal Auditor.
 2. The Internal Auditor will discuss the audit with the Warden/Superintendent/Division Administrator who must approve these requests ([attachment B](#)). The Internal Auditor must maintain records that document the approval/denial of the Warden/Superintendent/Division Administrator.
 3. The Director must approve all audit projects prior to assignment to the Internal Auditor. The Internal Auditor must maintain records that document the approval/denial of the Director.
 4. The Internal Auditor, in consultation with the Director, is responsible for establishing priorities between audits, reviews or advisory services. In order to facilitate prioritization, the

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Internal Auditor must log and track all projects and meet at least quarterly with the Director to review the status of each project.

5. The Internal Auditor must notify the responsible Warden /Superintendent/Division Administrator before reviewing an area function or operation under his/her jurisdiction, unless there are extenuating circumstances approved by the Director which justify bypassing this notification requirement.
6. The Internal Auditor, upon completion of an audit, must discuss audit findings and recommendations with management.
7. The Internal Auditor shall provide the responsible Warden/Superintendent/Division Administrator a copy of the written internal or external audit report for review prior to issuance of the audit to the Director. If a Warden/Superintendent/Division Administrator disagrees with any finding of the audit, the Internal Auditor and Warden/Superintendent/Division Administrator will attempt to resolve such issues prior to issuing the report or involving the Director.
8. It is the responsibility of the Legal Bureau to review all audit reports before the Internal Auditor finalizes the audit report to the Director.
9. When the audit report is finalized, it is sent to the Director with copies going to the appropriate Warden/Superintendent/Division Administrator.
10. The Warden /Superintendent/Division Administrator shall return an action plan to the Internal Auditor within 14 days of receipt of the report. The action plan will explain the corrective action taken or to be taken.
11. Each Warden/Superintendent/Division Administrator is ultimately responsible to ensure effective resolution of audit recommendations within the facility/program/division/bureau under their supervision.

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12. The Internal Auditor shall review all corrective action taken in response to an audit to determine whether the issue was adequately resolved.

- G. The Director will appoint Core Team members who represent a cross section of Department functions. Core Team members are responsible for the development and maintenance of the compliance monitoring tool, in accordance with Attachment C, The Monitoring Structure.
- H. Core Team members will identify and recommend appropriate Core Monitors. The Internal Auditor will coordinate the Core Monitor's training and participation in the Monitoring Review.
- I. Monitoring Reviews must be conducted at least biennially at each of the Department's facilities, programs, and contracted facilities. The Internal Audit/Quality Assurance Unit will coordinate the schedule for facilities and participants and provide technical assistance for the application of the tool.
- J. A formal classroom training process will be combined with on the job training for participants in the monitoring process.
- K. The Compliance Monitoring Process will be as follows:
 - 1. A meeting between the Internal Audit/Quality Assurance Unit and the program/facility administrator will be initiated 30 days prior to the review. Both the parties will sign attachment D, Memo of Understanding, at this time.
 - 2. The Internal Auditor will schedule team assignments for the review based on the core team members, core monitors and facility/program representatives.
 - 3. The Internal Auditor along with a representative from the Core Team will prepare for the monitoring review and coordinate the onsite activity during the review.

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4. At the conclusion of each monitoring review day, an oral briefing is conducted with the Facility/Program Administrator and key staff. Significant issues will be addressed and a status of the review will be given.
 5. An oral exit briefing is conducted on the final day of the review. The final briefing will include overall findings and recommendations. All key facility/program staff should be included in the final briefing.
 6. The Internal Audit/Quality Assurance Unit will compile a draft report based on the information gathered during the monitoring review.
 7. The draft report will be submitted to the facility/program for review and comment.
 8. The Internal Audit/Quality Assurance Unit will coordinate with the facility/program to draft the final report with the management action plan attached.
 9. The Internal Auditor and the Core Team subject matter expert for each area will identify resources and coordinate technical assistance as needed to complete the action plan.
 10. The Internal Auditor and Quality Assurance Unit will make contact with each facility/program periodically to determine the status of the action plan.
 11. Members of the core team may visit the facility to verify the progress of the action plan. Results will be provided to the Internal Audit/Quality Assurance Unit.
 12. The Internal Audit/Quality Assurance Unit will summarize follow up and compliance progress and submit the information to the Director semi-annually.
- L. Because complete objectivity and independence are essential to the internal audit function, the Internal Auditor must not undertake any operating responsibilities of the facility/program/division/bureau that will be audited.

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M. The audit process is intended to promote self-analysis and quality improvement of the facilities/programs/divisions/bureaus. In the event the Internal Auditor and the Warden/Superintendent/Division Administrator or designee cannot agree on an issue, it will be referred to the Director.

VI. CLOSING:

Questions concerning this policy should be directed to the Internal Audit/Quality Assurance Unit.

AUDIT/REVIEW NOTIFICATION

The Internal Auditor is responsible for coordinating all external audits, both fiscal and programmatic. This form should be used to provide the Internal Auditor with the information necessary to coordinate these efforts. Please complete a separate form for each external audit/review that will be done over your division/facility/bureau/program, or function.

Division/Facility:

Bureau/Program:

Contact Person:

Phone:

Date of Audit/Review:

Who is performing the Audit/Review:

Type of Audit/Review:

- ☐ Operational (effectiveness and efficiency of a program)
- ☐ Control (evaluation of control procedures that detect and prevent errors and irregularities)
- ☐ Financial
- ☐ Compliance
- ☐ Information Systems
- ☐ Special (i.e., cost studies etc) Description: _____

Description of Audit or Review to be performed

Summary Objective (What do you want to accomplish from this audit/review?)

INTERNAL AUDIT USE ONLY:

Date Received _____

Date to Start _____

Date to Complete _____

INTERNAL AUDIT AUDIT AND ADVISORY SERVICE REQUEST FORM

Please provide the requested information regarding any area under your supervision that you would like the Internal Auditor to either audit or provide advisory services on during the current or future fiscal year. Complete a separate form for each audit/advisory service requested. (For Fraud, Waste and Abuse Reports, use form attached to the Department Policy DOC 1.2.19, Fraud Reporting)

Division/Facility: _____

Bureau/Program: _____

Contact Person: _____

Phone: _____

Date of Request: _____

Type of Service Requested:

- ☐ Advisory Services
- ☐ Audit
- ☐ Control (evaluation of control procedures that detect and prevent errors and irregularities)
- ☐ Financial
- ☐ Compliance
- ☐ Information Systems
- ☐ Special (i.e., cost studies etc) Description: _____
- ☐ Operational (effectiveness and efficiency of a program)

Degree of Urgency:

- ☐ Immediate Attention Required
- ☐ ASAP - Completed by: (date) _____
- ☐ Include in audit planning for fiscal year ending June 30, _____
- ☐ To be prioritized by the Internal Auditor and Director

Description of Audit or Advisory Services Needed:

Summary Objective (What do you want to accomplish from this audit/advisory service?)

Administrator/Warden/Superintendent

Date

INTERNAL AUDIT USE ONLY:

☐ **APPROVED** ☐ **DENIED**

Date Received _____

Hours to Complete _____

Date to Start _____

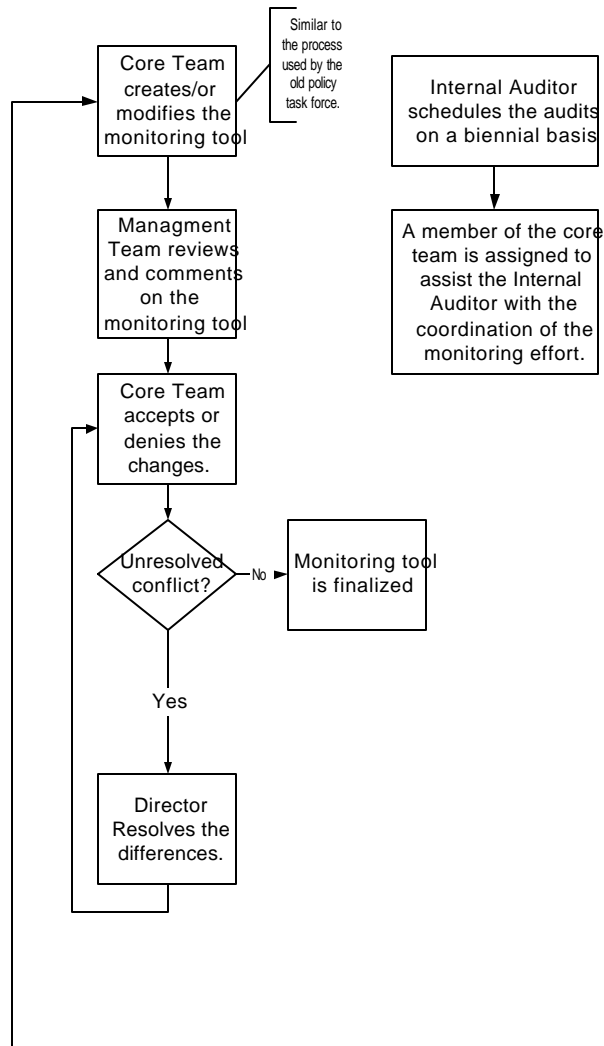
Director

Date

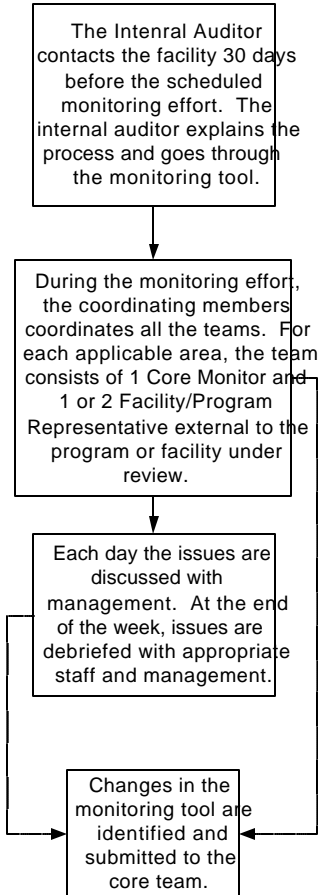
Compliance Monitoring

Monitoring Structure

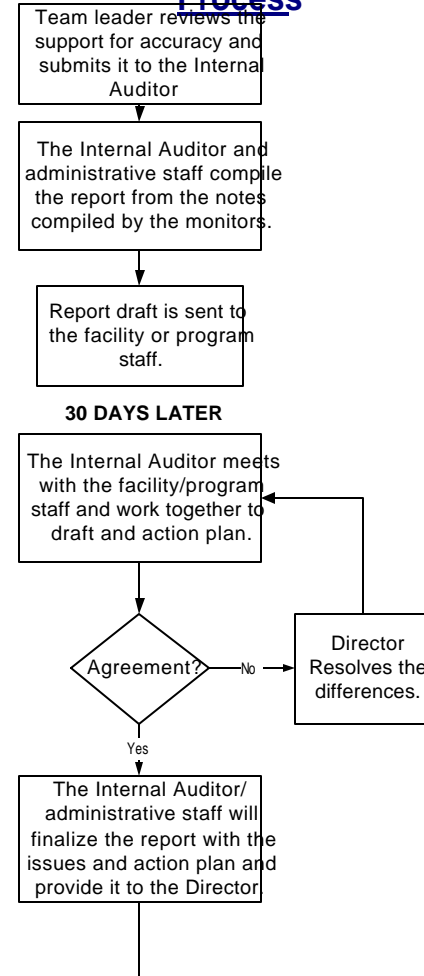
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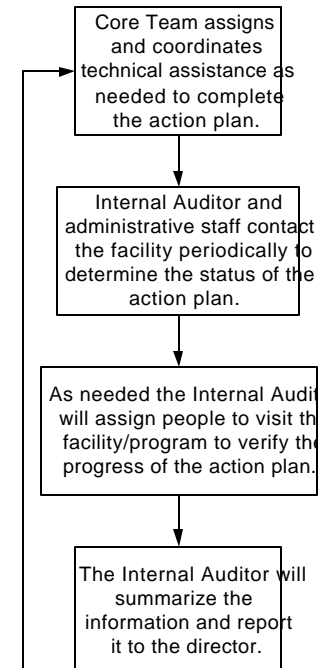
Monitoring Effort



Report Process



Follow-up



(Date)
(Name, Title)
(Address)

Dear (Name):

This is to confirm the understanding reached with you concerning our upcoming monitoring review of your (Facility/Program). As discussed in the pre-monitoring review meeting on (date), the monitoring review will begin (date). We will review procedures and operations at your (facility/program) to ensure compliance with department policies and procedures {and contract requirements.} In addition, we will compare operating procedures to applicable American Correctional Association Standards.

The monitoring review will consist of interviews, observations and review of applicable documentation. This process will provide reasonable, rather than absolute, assurance that your (facility/program) is in compliance with department policy and procedure {and contract requirements.} It is the facility/programs management and your responsibility to establish and maintain a sound system of internal control, which is the best means of preventing or detecting noncompliance with policy and procedure.

To complete the monitoring review efficiently, we require the assistance and cooperation of you and your personnel. We need access to policy and procedures manuals, and/or post orders. We will also need access to your facility and anticipate your (facility/program) representative will help us by coordinating your staff's availability and access. When important management considerations come to our attention, we will provide comments on them to you at the end of each day. We will also hold a briefing at the end of the week, which will summarize the substance of the issues identified during the review.

The report process will include a draft report for discussion at which time you will be asked for your comments. During this action-planning meeting you will provide an action plan to remedy the issues identified. A final report and action plan will be given to the department's director, with a copy to you.

If you have any questions or special requests during the audit, please direct them to (contact team member) or myself. If the terms designated in this letter are satisfactory, please sign the duplicate copy of this letter and return it to me.

Sincerely,

Vickie Murphy
Internal Auditor/Quality Assurance Manager

Accepted by: _____
Title: _____
Date: _____